

Message Text

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ACTION AGR-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

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DEPT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJ: EUROPEAN DROUGHT

REF: (A) STATE 194278; (B) THE HAGUE 4455

1. SUMMARY: BASIS DATA IN HAND WE FORESEE NO CHANGE IN BASIC EC ATTITUDE TOWARD SELF-SUFFICIENCY ON ACCOUNT OF DROUGHT. NOR DO WE ENVISION ANY DRASTIC POLICY CHANGES IN CAP: ONLY TEMPORARY MEASURES TO MEET SHORT-RUN EMERGENCY. HOLLAND PREPARED TO ASSUME COSTS ATTENDANT TO ALLEVIATING SHORT-RUN FINANCIAL BURDEN IN SELECTED AREAS; THEREFORE DROUGHT WILL NOT CAUSE BUDGETARY IMPACT ON EC AS FAR AS HOLLAND IS CONCERNED. ONLY POLITICAL IMPLICATIONS WE SEE ARE:
(A) EC DAIRY PROPOSALS WILL BE PUT ON BACK BURNER AND DUTCH FARMERS WOULD WELCOME POSTPONEMENT: AND (B) FANNING INFLATION FIRE SINCE COMMODITY PRICE RISES SUPPORT DEMANDS FOR WAGE INCREASES. WE PERCEIVE NO EFFECT ON EC NEGOTIATING POSITION OR STRATEGY IN THE MTN. END SUMMARY.

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2. EXCEPT FOR FORAGE AND TEMPORARY FRESH VEGETABLE SHORTAGE

THE OVERALL AGRICULTURAL PRODUCTION IN THE NETHERLANDS HAS NOT REPEAT NOT SEVERELY SUFFERED FROM CURRENT DROUGHT. DETAILED REPORT ON VARIOUS MAJOR CROPS INCLUDED REF (B). IMPORT DUTY ON FRESH VEGETABLES HAS BEEN TEMPORARILY SUSPENDED.

3. AGRICULTURAL TRADE HAS BEEN AND WILL CONTINUE TO BE OF SIGNIFICANT AND MAJOR IMPORTANCE TO DUTCH ECONOMY. IN SPITE OF JUNIOR MEMBER STATUS WITHIN EC THE DUTCH HAVE BEEN STRONG SUPPORTER OF CAP AND ALL THAT IT STANDS FOR. AS NET RECIPIENTS UNDER VARIOUS EC SCHEMES THE DUTCH ARE NOT EXPECTED TO CHANGE GEARS OR PUSH FOR RADICALLY DIFFERENT POLICY CHANGES TOWARDS CAP, ITS BUDGET OR THE MTN. OBJECTIONS IF ANY TO MOUNTING COSTS, POLICY AND/OR PROGRAM IMPLEMENTATION WILL BE. AS BEFORE, RAISED BY OTHERS RATHER THAN THE DUTCH. DAIRY SECTOR WOULD WELCOME POSTPONEMENT OF EC DAIRY PROPOSALS.

4. THE SCARE HEADLINES ABOUT DROUGHT OF A FEW WEEKS AGO HAVE ALREADY BEEN GREATLY TONED DOWN. MEDIA IN FACT HAVE ALREADY REPORTED THAT THOSE HEADLINES WERE OVERLY EXAGGERATED. EVEN DURING THAT PERIOD HOWEVER THERE WAS NO WIDESPREAD OR UNUSUAL PANIC BUYING. PRICES HAVE RISEN SHARPLY FOR SOME PRODUCTS (PARTICULARLY VEGETABLES) BUT THERE HAS BEEN NO HUE AND CRY FROM HOUSEWIVES WHO DO NOT SPEND MUCH MONEY ON FOOD ANYWAY. MINAC OFFICIALS AND GOVERNMENT DO NOT EXPECT ANY NEGATIVE POLITICAL FALLOUT. BROWN

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